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SUBJECT: SINGAPORE BEGINS LEGAL SERVICES LIBERALIZATION

11. (SBU) Summary: Singapore's government is taking applications from foreign law firms for approximately five licenses to practice Singapore law, an area long protected from foreign competition. Singaporean authorities are pushing to make Singapore a center for legal services, both to boost another industry and to support the growth of other service industries like corporate finance that require high-end legal work. U.S. firms welcome the new measure, but predicted that interest would be slight given the relatively small size of the domestic legal market and ample domestic competition. A scheduled review of the licensing measure in the next two years may lead to full liberalization of the legal sector. End Summary.

Cracking the door  
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12. (U) On August 27, Parliament passed an amendment to the Legal Professions Bill that opens the door to increased liberalization of legal services in Singapore for foreign law practices (FLP). The amendment enables foreign firms to apply for Qualifying Foreign Law Practice (QFLP) licenses to practice Singapore law through Singapore-qualified lawyers, with notable areas of legal practice still excluded. Foreign firms have until October 9 to apply for one of likely only five licenses to be awarded, each valid for five years. A selection committee chaired by Minister of Law K. Shanmugam will choose the five foreign licensees toward the end of the year. Criteria to be considered for a license include the number of lawyers to be based in Singapore, intentions to establish firm headquarters in Singapore, and the firm's areas of legal practice and its track record within them.

13. (U) Currently, FLP's can practice Singaporean law only in partnership with a Singaporean law firm in a Joint Law Venture or as part of a Formal Law Alliance, which may include more than two firms. Under the new QFLP scheme, foreign firms will be able to hire Singaporean lawyers and practice Singaporean law in permitted areas. Excluded areas include conveyancing, criminal law, family law and domestic litigation. The new legislation also enhances the Joint Law Venture program and expands FLP participation in international commercial arbitration.

14. (SBU) Valerie Thean, Director of the Legal Policy Division at the Ministry of Law, told Econoff that the licenses were a first step toward a fuller liberalization of Singapore's legal services sector. Thean said that in typical Singapore style the GOS was taking a measured approach, but that the direction toward liberalization was clear. A slow liberalization process would also give Singapore's established local firms time to adjust and better compete. The GOS will review the progress of the liberalization in 18 to 24 months and decide then on how to continue.

15. (U) The legislation follows on September 2007 recommendations from a GOS-sponsored Committee to Develop the Singapore Legal Sector, which concluded that Singapore's existing legal infrastructure was insufficient to support the growth of other legal-intensive business sectors like corporate finance and banking. The GOS is also seeking to turn Singapore into a regional center for legal services, and hopes to attract foreign law firms that will

bring in a greater volume of offshore legal work. The GOS also hopes to stanch the outflow of Singapore-qualified lawyers to firms in other legal hubs like Hong Kong. Opponents of the amendment said they feared that Singaporean firms would fall by the wayside under competition from foreign firms, or that local lawyers would flock to better paying foreign firms in Singapore.

#### U.S. law firms yawn at business prospects

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¶6. (SBU) Econoff spoke to partners at several U.S. law firms who described the opening as significant, but said their firms were only marginally interested in applying for a license and practicing Singapore law. Although Singapore is a major business center hosting a multitude of multinational corporations, the Singapore legal market is relatively small. Most foreign law firms based in Singapore practice foreign law elsewhere in the region or do cross-border legal work, and establish headquarters in Singapore mainly out of convenience. Foreign firms say they are active in project financing, cross border merger and acquisition, and private equity, but are less interested in Singapore corporate work. Few had bothered to establish Joint Law Ventures to pursue Singaporean legal work, and many of the ventures attempted had failed. U.S. firms say that the Singaporean market is already well served by local firms that charge half what foreign firms typically bill.

¶7. (SBU) The U.S. firms admit, however, that there is little downside to applying for a license and several will likely do so. Despite the small market, opportunities exist in arbitration, IPOs, intellectual property and picking up the Singapore side of cross-border work. However, these opportunities are not considered highly lucrative and would unlikely be sufficient to attract

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well-known U.S. firms who are not yet represented in Singapore. One U.S. firm predicted that the response to the license offering would be so minimal that the GOS would opt to liberalize the entire sector after its review in 18 to 24 months.  
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